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AUTHOR Osborne, David T.
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ABSTRACT

Throughout all levels of American government, a shift is taking place from the rigid, wasteful, centralized bureaucracies of the industrial era to the more flexible, entrepreneurial, decentralized government needed to succeed in today's world. This shift has been brought about by an unprecedented, ongoing fiscal crisis that has created a sudden urgency to improve services and heighten productivity with fewer dollars. Entrepreneurial governments are: (1) catalytic, leveraging private-sector actions to solve problems; (2) community owned, empowering families and communities to solve their own problems; (3) competitive, moving away from traditional monopolistic models in education, policing, transportation, etc.; (4) mission driven, developing budget systems and rules that free employees to pursue goals; (5) results oriented, providing incentives for people to succeed rather than fail, measuring outcomes, and rewarding success; (6) customer driven, putting resources directly into the hands of the intended recipients of the service (e.g., job training or child care) so that they can make choices based on quality and price; (7) decentralized, taking advantage of the possibilities afforded by telecommunications advancements to give those laboring in public organizations authority to make their own decisions; and (8) market driven, restructuring the marketplace when necessary to fulfill public purposes. Government is the instrument by which problems are solved collectively; if the instrument is outdated, it is time to remake it. The applicability of these principles to community colleges is discussed briefly. (ECC)

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REINVENTING GOVERNMENT

David T. Osborne

An historic change is now coursing through all levels of American government: a shift from the rigid, wasteful, centralized bureaucracies of the industrial era to the more flexible, entrepreneurial, decentralized government needed to succeed in today's world. This shift, under way for more than a decade, has been brought into sharp relief by the fiscal crisis now crippling our governments.

As the 90s dawned, every government in America seemed to hit the wall at once. State governments struggled to close their largest deficits in history—totaling well over $30 billion. Cities like New York struggled with billion-dollar deficits. The Federal deficit ballooned toward $400 billion—roughly the equivalent, in inflation-adjusted dollars, of the entire Federal budget in 1965. The most frightening aspect of this fiscal melt down is that it will continue, even as the recession ends. Only part of the problem is declining revenues. A significant portion is built-in spending increases, particularly in Medicaid (where spending is doubling every four years), prisons and corrections (where state spending nearly quadrupled in the 80s), and education.

This unprecedented, ongoing fiscal crisis has created a sudden urgency to do more with less. Politicians who three years ago paid no attention to management issues are now desperate for ways to save money without eliminating vital services. The voters vehemently oppose most tax increases, but they also oppose many service cuts. They want government to do more in areas from health care to education to environmental protection.

Voters don't want more government, as Democrats have traditionally offered. But they don't want less government either. They want better government—and less expensive government. They are frustrated with slow, unresponsive, inefficient bureaucracies that soak up ever more tax dollars and deliver ever poorer services. Without articulating it in so many words, the American people are demanding governments that are less bureaucratic and more entrepreneurial. During the industrial era, public institutions were set up much like businesses: large, centralized bureaucracies, with elaborate rules and regulations and hierarchical chains of command. But in today's world of economic flux, fierce global competition, and sophisticated information and communications technologies, such institutions are dinosaurs. To be effective in these times, institutions (public or private) must be flexible, adaptable, and innovative. They must search constantly for new ways to improve services and heighten productivity.

Characteristics of Entrepreneurial Government

How do we get such governments? My co-author, Ted Gaebler, and I spent the last five years trying to answer that question. We have visited public entrepreneurial institutions from coast to coast—school districts, local governments, public housing authorities, even parts of the Pentagon. We have asked a simple question: What makes them different? What have they changed that makes their employees act so differently?

In answer, we have come up with a series of principles that define entrepreneurial government. For example, while bureaucratic governments concentrate virtually all of their attention on spending money, entrepreneurial governments also concentrate on earning money. The other principles include the following:

Catalytic Government. Traditional governments use their tax dollars primarily to create bureaucracies that deliver services: public schools, public transit systems, public welfare departments. Caught between rising service demands and falling revenues, entrepreneurial governments increasingly act as catalysts—leveraging private-sector actions to solve problems. They steer more than they row.

Community-Owned Government. As they shift into more catalytic mode, entrepreneurial governments push control of many of the services out of the bureaucracy and into the community. Traditional public programs empower bureaucrats and professionals, giving police, doctors, teachers, and social workers the control, while the people they are serving have none. Doing this undermines the confidence and competence of citizens and communities. This creates dependency. Entrepreneurial public organizations empower families and communities to solve their own problems. It is simple common sense: families and communities are more committed, more caring, and more creative than professional service bureaucracies. They are also a lot cheaper.

Competitive Government. In traditional governments, monopoly is the American way. The assumption is that each neighborhood should have one school, each city should have one police force, each region should have one organization driving its buses and operating its commuter trains. When costs have to be cut, we eliminate anything that smacks of duplication—assuming that consolidation will save money.

Yet we know from painful experience that monopoly in the private sector often encourages inefficiency and

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inhibits change. It is an enduring paradox of American ideology that we attack private monopolies so fervently but embrace public monopolies so warmly.

Mission-Driven Government. Public officials who are frustrated by their huge, rule-driven bureaucracies simply go offshore, creating smaller, more entrepreneurial organizations. Those organizations are driven not by their rules but by their missions. They get rid of most of their rules and dissolve most of their budget items. They define their fundamental missions, then develop budget systems and rules that free their employees to pursue those goals.

Results-Oriented Government. Traditional public institutions focus almost exclusively on inputs. They finance schools based upon how many children enroll; welfare based upon how many poor people are eligible; police departments based upon police estimates of manpower needed to fight crime. They pay little attention to outcomes, to results. It doesn't matter how well children do in one school versus another, how many poor people get off welfare into stable jobs, how much the crime rate falls or how secure the public feels. In fact, schools, welfare departments, and police departments typically get more money when they fail: when children do poorly, welfare roles swell, or the crime rate rises. Entrepreneurial governments seek to change these incentives. They measure outcomes and reward success.

Customer-Driven Government. When practical, the best way to tie spending to results is to give the resources directly to the customers—the intended recipients of the service in question—and let them choose a provider, based upon information about quality and price. This forces providers (job training vendors, childcare centers, landlords) to compete to offer the best deal to customers. It also gives customers a choice of services. Putting resources directly in customers' hands is hardly a radical idea. Vouchers and cash grants have been around for decades. Food stamps are vouchers. Our largest housing subsidy—the mortgage interest deduction—is the equivalent of a voucher. Pell grants, the primary form of Federal aid to college students, are like vouchers: their recipients can use them at any accredited college or technical school.

Decentralized Government. Sixty years ago, centralized institutions were indispensable. Information technologies were primitive, communication between locations was slow, and the public work force was relatively uneducated. In order to gather information and dispense orders efficiently, there was little alternative but to bring all public health employees together in one hospital, all public works employees together in one organization, all bank regulators together in one or two institutions. There was plenty of time for information to flow up the chain of command and for decisions to flow back down.

But today, information is virtually limitless, communication between remote locations is instantaneous, many public employees are well educated, and conditions change with blinding speed. There is no time to wait for information to go up the chain of command and decisions to come down. Today, things work better if those laboring in public organizations—schools, public housing developments, parks, training programs—have the authority to make their own decisions.

Market-Oriented Government. If you had set out to buy a home in 1930, you would have saved up to 50 percent of the purchase price for a down payment and applied at your local bank for a five-year mortgage. That was how banks did business. During the New Deal, the Federal Housing Administration pioneered a new form of mortgage, which required only 20 percent down and let the borrower repay over 20, and later 30, years. Other government corporations created a secondary market, so banks could resell these new loans, and the banking industry converted. In pushing banks to offer a new form of mortgage, the Federal Government was restructuring the marketplace to fulfill a public purpose.

This is a powerful and economical way for governments to accomplish their goals. By finding the incentives that can leverage millions of private decisions government can often accomplish far more than it can by financing administrative programs. Think of the way some states have handled litter from bottles and cans. Rather than creating elaborate and expensive recycling programs, they have simply required buyers to pay a 5-cent deposit on each bottle or can—to be refunded when the bottle or can is returned.

As the industrial era dawned, in the early decades of this century, Americans reinvented their governments. Because our economy and society have once again experienced profound and wrenching changes, we have begun to do so again. The task is not ideological; it is not about making government smaller, or weaker. The task is to make government stronger, by making it work again.

We desperately need government in the 1990s. We don't need more government, we need better government. To be more precise, we need better governance. Governance is the act of collectively solving our problems. Government is the instrument we use. The instrument is outdated, and it is time to remake it.

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[Editor's note: Although this abstract focuses on governments, these principles apply to other publicly funded institutions, including community colleges. Both governments and educational institutions have similar resource constraints in the face of rising demand, and both must deal with public expectations that they help the citizenry survive and prosper in the rapidly changing economy and world.]

—Guest editor, Kay McClenney, Vice President, Education Commission of the States

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Don Doucette editor

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